

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:

Chapter 11

FRANCHISE GROUP, INC., *et al.*,¹

Case No. 24-12480 (LSS)

Debtors.

(Jointly Administered)

Re: Docket Nos. 1015 & 1019

**CERTIFICATION OF COUNSEL REGARDING JOINT
STIPULATION REGARDING TREATMENT OF ALLOWED
PREPETITION ABL LOAN CLAIMS AND CONSENSUAL EXIT ABL FACILITY**

On November 3, 2024, the above-captioned debtors and debtors in possession (collectively, the “Debtors”) filed voluntary petitions for relief under chapter 11 of title 11 of the United States Code before the United States Bankruptcy Court for the District of Delaware (the “Court”).

On February 20, 2025, the Debtors filed the *Sixth Amended Joint Chapter 11 Plan of*

The Debtors in these chapter 11 cases, along with the last four digits of their U.S. federal tax identification numbers, to the extent applicable, are Franchise Group, Inc. (1876), Freedom VCM Holdings, LLC (1225), Freedom VCM Interco Holdings, Inc. (2436), Freedom Receivables II, LLC (4066), Freedom VCM Receivables, Inc. (0028), Freedom VCM Interco, Inc. (3661), Freedom VCM, Inc. (3091), Franchise Group New Holdco, LLC (0444), American Freight FFO, LLC (5743), Franchise Group Acquisition TM, LLC (3068), Franchise Group Intermediate Holdco, LLC (1587), Franchise Group Intermediate L, LLC (9486), Franchise Group Newco Intermediate AF, LLC (8288), American Freight Group, LLC (2066), American Freight Holdings, LLC (8271), American Freight, LLC (5940), American Freight Management Company, LLC (1215), Franchise Group Intermediate S, LLC (5408), Franchise Group Newco S, LLC (1814), American Freight Franchising, LLC (1353), Home & Appliance Outlet, LLC (n/a), American Freight Outlet Stores, LLC (9573), American Freight Franchisor, LLC (2123), Franchise Group Intermediate B, LLC (7836), Buddy's Newco, LLC (5404), Buddy's Franchising and Licensing LLC (9968), Franchise Group Intermediate V, LLC (5958), Franchise Group Newco V, LLC (9746), Franchise Group Intermediate BHF, LLC (8260), Franchise Group Newco BHF, LLC (4123), Valor Acquisition, LLC (3490), Vitamin Shoppe Industries LLC (3785), Vitamin Shoppe Global, LLC (1168), Vitamin Shoppe Mariner, LLC (6298), Vitamin Shoppe Procurement Services, LLC (8021), Vitamin Shoppe Franchising, LLC (8271), Vitamin Shoppe Florida, LLC (6590), Betancourt Sports Nutrition, LLC (0470), Franchise Group Intermediate PSP, LLC (5965), Franchise Group Newco PSP, LLC (2323), PSP Midco, LLC (6507), Pet Supplies "Plus", LLC (5852), PSP Group, LLC (5944), PSP Service Newco, LLC (6414), WNW Franchising, LLC (9398), WNW Stores, LLC (n/a), PSP Stores, LLC (9049), PSP Franchising, LLC (4978), PSP Subco, LLC (6489), PSP Distribution, LLC (5242), Franchise Group Intermediate SL, LLC (2695), Franchise Group Newco SL, LLC (7697), and Educate, Inc. (5722). The Debtors' headquarters is located at 2371 Liberty Way, Virginia Beach, Virginia 23456.

Franchise Group, Inc. and its Debtor Affiliates [Docket No. 1015] (the “Sixth Amended Plan”). Paragraph 5.3(a) of the Sixth Amended Plan provides that Holders of Allowed Prepetition ABL Loan Claims in Class 3 shall receive, in addition to certain proceeds of ABL Priority Collateral, their pro rata share of (a) proceeds of the Exit ABL Facility or (b) loans under the Take-Back ABL Term Loan Facility.

On February 21, 2025, the Court entered the *Order (I) Approving the Disclosure Statement, (II) Approving the Solicitation and Voting Procedures, including (A) Fixing the Voting Record Date, (B) Approving the Solicitation Packages and Procedures for Distribution, (C) Approving the Form of the Ballots and Solicitation Materials and Establishing Procedures for Voting, and (D) Approving the Procedures for Vote Tabulation, (III) Scheduling a Confirmation Hearing and Establishing Notice and Objection Procedures, and (IV) Granting Related Relief* [Docket No. 1019] (the “Disclosure Statement Order”). Paragraph 40 of the Disclosure Statement Order provides, among other things, that the Debtors shall not commence the Confirmation Hearing until a date no earlier than forty-five (45) days after the date on which the Debtors (in consultation with the Required Consenting First Lien Lenders, as defined in the Sixth Amended Plan) or the Required Consenting First Lien Lenders (in consultation with the Debtors) provide written notice to the Prepetition ABL Lenders (as defined below) of (a) the Debtors’ election to pursue the Take-Back ABL Term Loan Facility and (b) either (i) the proposed terms of the Take-Back ABL Term Loan Facility or (ii) all material proposed terms of a new credit agreement for the Take-Back ABL Term Loan Facility.

On January 31, 2025, the Debtors (in consultation with the Required Consenting First Lien Lenders) delivered a notice of the election to pursue the Take-Back ABL Term Loan Facility (along with the accompanying term sheet with all of the proposed terms thereof) in accordance with paragraph 40 of the Disclosure Statement Order to JPMorgan Chase Bank, N.A., as agent (in such

capacity, the “Prepetition ABL Agent”).

Contemporaneously herewith, the Debtors filed the *Joint Stipulation Regarding Treatment of Allowed Prepetition ABL Loan Claims and Consensual Exit ABL Facility* (the “Stipulation”), which is appended as Exhibit 1 to the proposed form of order (the “Proposed Order”) attached hereto as Exhibit A.² The Stipulation was entered into by and among: (a) the Debtors; (b) the Required Consenting First Lien Lenders; (c) the Prepetition ABL Agent pursuant to that certain *Third Amended and Restated Loan and Security Agreement*, dated as of March 10, 2021 (as amended, supplemented, or otherwise modified from time to time), by and among Debtors Franchise Group, Inc., Franchise Group Newco PSP, LLC, Valor Acquisition, LLC, and Franchise Group Newco Intermediate AF, LLC, as borrowers, certain subsidiaries of the Prepetition ABL Borrowers, as guarantors, and together with the Prepetition ABL Borrowers, the Prepetition ABL Agent, and the lenders party thereto from time to time (collectively, the “Prepetition ABL Lenders,” and together with the Debtors, the Required Consenting First Lien Lenders, and the Prepetition ABL Agent, the “Parties”); and (d) the Prepetition ABL Lenders. Pursuant to the Stipulation, the Parties have agreed to, among other things, pursue an Exit ABL Facility to be provided by the existing Holders of Prepetition ABL Claims on the terms set forth in the term sheet appended as Exhibit A to the Stipulation.

The Debtors have shared the Stipulation and the Proposed Order with the Office of the United States Trustee for the District of Delaware and counsel to the Official Committee of Unsecured Creditors, and such parties do not object to the entry of the Proposed Order.

² Capitalized terms used but not defined herein shall have the meanings ascribed in the Stipulation, the Sixth Amended Plan, or the Disclosure Statement Order, as applicable.

WHEREFORE, it is respectfully requested that the Proposed Order approving the Stipulation be entered at the Court's earliest convenience without further notice or a hearing.

Dated: April 2, 2025
Wilmington, Delaware

/s/ Allison S. Mielke

**YOUNG CONAWAY STARGATT &
TAYLOR, LLP**

Edmon L. Morton (Del. No. 3856)
Matthew B. Lunn (Del. No. 4119)
Allison S. Mielke (Del. No. 5934)
Sheila Borovinskaya (Del. No. 6758)
Rodney Square
1000 North King Street
Wilmington, Delaware 19801
Telephone: (302) 571-6600
Facsimile: (302) 571-1253
Email: emorton@ycst.com
mlunn@ycst.com
amielke@ycst.com
sborovinskaya@ycst.com

*Co-Counsel to the Debtors
and Debtors in Possession*

KIRKLAND & ELLIS LLP

KIRKLAND & ELLIS INTERNATIONAL LLP

Joshua A. Sussberg, P.C. (admitted *pro hac vice*)
Nicole L. Greenblatt, P.C. (admitted *pro hac vice*)
Derek I. Hunter (admitted *pro hac vice*)
601 Lexington Avenue
New York, New York 10022
Telephone: (212) 446-4800
Facsimile: (212) 446-4900
Email: joshua.sussberg@kirkland.com
nicole.greenblatt@kirkland.com
derek.hunter@kirkland.com

- and -

Mark McKane, P.C. (admitted *pro hac vice*)
555 California Street
San Francisco, California 94104
Telephone: (415) 439-1400
Facsimile: (415) 439-1500
Email: mark.mckane@kirkland.com

*Co-Counsel to the Debtors
and Debtors in Possession*